Comparing Comprehensive Housing Finance Reform Legislation

Sponsor(s)	***Current System***	**Rep. Gary Miller Rep. Carolyn McCarthy**	**Rep. John Campbell Rep. Gary Peters**	**Rep. Jeb Hensarling**
Bill Number		**H.R. 2413**	**H.R. 1859**	**H.R. 1182**
Short Title		**The Secondary Market Facility for Residential Mortgages Act**	**The Housing Finance Reform Act of 2011**	**The GSE Bailout Elimination and Taxpayer Protection Act**
Role of Government		**Increased**: The GSEs would be replaced by a single government agency that would be responsible for securitizing all mortgages.	**Reduced**: The GSEs would be replaced by a number of fully privatized entities which would absorb losses. The government's role would be limited to selling a guarantee protecting investors in mortgage backed securities should this be necessary.	**None**: The GSEs would be replaced by a totally private system, and the role of the government would be eliminated completely.
Vehicle of Mortgage Guarantee	**Two Entities:** Fannie Mae and Freddie Mac.	**Single Entity**: Would create a government-run "Facility," which would securitize and guarantee all loans.	**At least Five Entities:** At least five, but as many as fifteen or more "Housing Finance Guaranty Associations" which would be privately owned and operated.	**None :** It is likely mortgage insurers would be the only entities operating in the marketplace
Liability for Taxpayers	**Implicit and Unlimited:** The government and by proxy, the taxpayers, completely absorb losses in the housing market.	**Unlimited:** Replacing the GSEs with a government entity would place all potential losses directly on the government's balance sheet.	**Explicit and Limited:** By placing several layers of private sector capital, including a reserve fund, between taxpayers and losses this approach seeks to limit exposure to losses. The bill further provides that any actual losses for taxpayers would have to be recouped from industry through special assessments.	**Undetermined:** Because the government would no longer play a role in backing mortgage securities, it would have no liability for losses in the mortgage markets. However, they would likely suffer from decreased availability of mortgage products, and increased interest rates.
Mortgage Market Size	**$1.5 trillion**	**$1.5 trillion**	**$1.5 trillion**	**$750 billion**[1]
Share of Market in Fixed Rate Products	**92%**	**92%**	**92%**	**45%**[1]
FHA/VA Loans as a Percent of Market	**33%**	**26%**	**15%**	**40%**[1]
Estimated Interest Rate	**5%**	**5%**	**5.36%**	**7.5%**[1]
Monthly Payment on $250k 30-Year Fixed	**$1342**	**$1342**	**$1398**	**$1754**[1]
Taxpayer Losses Hypothetical Crisis[2]	**$131 billion**	**$131 billion**	**None**	**$73 billion**[3]

[1] Based on optimistic outlook for market conditions under this proposal
[2] Assumes a housing crisis resulting in a 20% deterioration in housing prices
[3] Total cost of GSE bailouts during 2008 financial crisis after subtracting dividend payments through 2021, as estimated by the President's FY 2012 Budget

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Campbell-Peters: H.R. 1859, the Housing Finance Reform Act

- ***End of Fannie Mae and Freddie Mac*.** Permanently winds down the failed GSEs, and revitalizes and strengthens the housing finance system through an entirely new system administered by numerous private, independently regulated associations with limited charters competing in a structure that intrinsically preserves the 30-year fixed-rate loan.

- ***Layers of Private Capital Protecting the Taxpayer*.** Provides for private investment to not only supply the capital necessary to fund mortgage loans, but also requires that private capital absorb losses so that taxpayers are not on the hook for any losses or failures.

- ***Flexible and Stable Housing Market Moving Forward*.** Preserves a limited government role to protect the taxpayer, but maximizes the potential of private investment and utilizes market forces to set up a long lasting, stable, and safe housing finance system that ensures availability of the 30 year fixed-rate mortgage.

Miller-McCarthy: H.R. 2413, the Secondary Market Facility for Residential Mortgages Act

- ***A Single, Government-Owned Entity*.** Replaces Fannie Mae and Freddie Mac with a single, government-owned corporation regulated by a politically appointed commission, making permanent and expanding the existing role of the federal government in the housing market.

- ***A System Dependant on Taxpayer Support*.** The "facility" created under the bill is a wholly-owned corporation of the U.S. Government. In this system, taxpayer dollars are being relied upon and spent from day 1 to capitalize and operate the housing finance system.

- ***Institutes Complete Government Control*.** Creates a system in which politicians hold authority over market forces and run the housing finance system, much in the same way that Fannie Mae and Freddie Mac have been operated.

Hensarling: H.R. 1182, the GSE Bailout Elimination and Taxpayer Protection Act

- ***Removes Traditional Safeguards in Housing Finance***. Permanently winds down Fannie Mae and Freddie Mac without replacing them with a regulated system. Sets up an implicit and unlimited guarantee of the housing market and removes protections and requirements for market participants to reserve capital in the case of failure or economic downturn.

- ***Changes the Market Composition of Available Products*.** Analysts predict that 30-year fixed-rate mortgages will rise to a higher rate than is currently available, thereby all but eliminating this product, and borrowers will be encouraged to choose adjustable rate loan products.

- ***Reliance on Investors Assuming Credit Risk.*** Relies on investors to take on all credit risk in order to make purchases in the secondary market. Expects investors that currently are not willing to take on this risk to modify their behavior going forward.